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Summary: Acton Twn, MA

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Credit Profile

US\$7.094 mil GO bnds dtd
03/01/2004 due 03/01/2024
AA+

Sale date: 17-FEB-2004

AFFIRMED
Outstanding GO mun purp loan
bnds
AA+ (SPUR)

OUTLOOK: STABLE

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating, and stable outlook, to the town of Acton, Mass.' GO bonds.

The rating reflects the town's:

- High wealth and income factors;
- Participation in the greater Boston MSA;
- Continued growth in the property tax base due primarily to residential property tax appreciation;
- Consistent financial operations;
- Electorate, which has demonstrated support of funding the needs of basic services through operating overrides and capital exemptions; and
- Moderate debt profile with limited future capital needs.

The town's share of Middlesex County's unfunded pension liability is a slightly offsetting factor.

The town of Acton, with a population of 20,331, is a suburban, primarily residential community 25 miles northwest of Boston, Mass. The presence of a commuter rail and Route 2 provide local residents with easy access to the greater Boston MSA's employment centers, including the Route 128 High-Tech Corridor. This desirable location has contributed to the town's low unemployment figures and strong property appreciation. In 2003, the median single-family home price was \$469,000. Acton's total assessed valuation reached \$3.3 billion in fiscal 2004, an increase of 66% over the fiscal 2000 total. Market value is high at \$164,000 per capita. Home-value appreciation is aided by a strong school system. The town's wealth factors are also high; the median household effective buying income was 208% of the national average in 2000.

Acton's experienced fiscal management and continued tax base growth, coupled with strong property tax collections, have contributed to its sound financial position. General fund balances have been consistently adequate; the fiscal 2003 draft audit indicates a \$6.3 million unreserved general fund balance, or an amount equal to 12% of total operating expenditures. Although comfortable, the fiscal 2003 unreserved fund balance was roughly \$1.5 million lower than the fiscal 2002 balance, which was equal to 16% of expenditures, due to a planned draw down to maintain services. Total fund equity in unaudited fiscal 2003 is equal to \$8.4 million, or 16% of expenditures. The town electorate's willingness to authorize revenue flexibility beyond Proposition 2 1/2 constraints is a credit strength. The electorate has consistently supported property tax overrides and capital exclusions, indicating a strong willingness and ability to pay for general services and needed capital improvements; about 56%, including \$6.4 million of this issuance, of the town's total debt outstanding has been excluded from Proposition 2 1/2 limits. Property taxes, which account for 80% of total revenue, remain the town's primary revenue source. Property tax collections, which have been strong with collection rates at 100% of the total levy, provide the town with a stable, predictable, and growing revenue source. Currently, Acton maintains a small stabilization fund at \$215,000, providing some additional flexibility.

Net of state school construction aid, Acton's debt profile is moderate. Overall net debt burden, including the town's share of its two participating regional school districts, is moderate at \$2,353 per capita but a low 1.7% of total market value. The town's carrying charge is low; the fiscal 2003 draft audit indicates debt service expenditures at just 2% of total general fund operating expenditures. Amortization of existing debt is below average since just 46% of total principal outstanding is retired over 10 years. The town will use proceeds from this issuance to finance the construction of a new public safety building and sewer system improvements. In terms of future capital needs, the town has just \$1.1 million of authorized, but unissued, debt. The latest estimate of Acton's share of the county's unfunded pension liability is \$14.8 million.

Outlook

The stable outlook reflects the expectation that the town will maintain its adequate financial performance and position.

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